



**Carlos Jackson**  
*Executive Director*

**HOUSING AUTHORITY  
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*Commissioners*

January 4, 2005

Honorable Board of Commissioners  
Housing Authority of the  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Commissioners:

**APPROVE CHANGES TO THE SECTION 8 PROGRAM ADMINISTRATIVE PLAN OF  
THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES  
(ALL DISTRICTS)  
(3 Vote)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Approve and authorize the Executive Director to implement changes to the Housing Authority's Section 8 Program Administrative Plan, which will reduce payments to landlords, modify occupancy standards, suspend admission to the Family Self-Sufficiency program, restrict portability to higher cost areas, modify the method by which tenant income increases are processed and require single-parent households to register with the Child Support Services Department to obtain child support, as needed, to realize the cost savings necessary to meet an approximate \$3.7 million reduction in funding from the U.S. Department of Housing and Urban Development (HUD).
2. Approve and authorize the Executive Director to implement an additional change to the Housing Authority's Administrative Plan, which will modify the method of determining the utility allowances to Section 8 participants, to further reduce Section 8 Program costs if the above Administrative Plan changes do not meet the funding reduction from HUD.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:**

HUD requires that all housing authorities must adopt a written Administrative Plan that establishes local policies for the administration of the Section 8 Program. In addition, any changes to the Administrative Plan must be approved by the Housing Authority's governing body.

On January 30, 2004 the Federal Fiscal Year 2004 Consolidated Appropriations Act was signed into law. The Act, which set the budgets for all federal agencies, including HUD, reduced funding to the Housing Authority's Section 8 Program by approximately \$8 million for the 2003-2004 and 2004-2005 Fiscal Years combined.

Since the reduction in funding, the Housing Authority has been successful in recovering \$5.1 million, comprised of \$3.8 million for Housing Assistance Payments (HAP) and \$1.3 million in operating reserves. This funding reduced the projected shortfall from \$8 million to \$3.7 million. Effective January 1, 2005, HUD is expected to further reduce Section 8 Program funding. The recommended action is needed to meet the reduction in funding.

**FISCAL IMPACT/FINANCING:**

There is no impact on the County general fund. The changes to the Administrative Plan will allow the Housing Authority to realize the cost savings necessary to meet an approximate \$3.7 million reduction in funding from HUD.

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS:**

On April 6, 2004 your Board approved the Housing Authority's current Administrative Plan. This plan encompasses the administration of the Section 8 Program, including key areas such as maintenance of the waiting list, calculation and issuance of rental assistance, setting rental subsidy standards, inspection of assisted units, termination of assistance, handling of complaints, and the informal hearing process for resolving complaints.

In an effort to answer the expected reduction in Section 8 funding, the Housing Authority is proposing six changes to the current Administrative Plan. The Housing Authority's primary concern is the fiscal stability of the agency, which is critical to preserving the rental assistance program. Also of great concern is minimizing the impact on the families receiving Section 8 assistance and the landlords who voluntarily participate in the program.

First, the Housing Authority is proposing to change the payment standard from 100 percent of the fair market rent (FMR) to 90 percent of the FMR. By reducing the payment standard, the Housing Authority's monthly subsidy on behalf of the tenant is

decreased. The rent to the landlords remains fixed. Because tenants must receive a one-year notice of this proposed change, it will take two years to fully implement. As a result of this change, tenants will be required to pay more of their income toward rent if their contract rents are higher than 90 percent of FMR.

Second, the method by which the Housing Authority determines a tenant's unit size, known as an occupancy standard, will change. Currently, these standards allow one bedroom for the head of household and a bedroom for every two persons thereafter. The occupancy standards will now reflect two persons per bedroom including the head of household. This change will reduce the Housing Authority's monthly HAP and affect families at their next annual reexamination.

Third, the Housing Authority will suspend all new admissions to the Family Self-Sufficiency program. This program promotes the development of local strategies to enable families to achieve economic independence and self-sufficiency. Using HAP funds, an escrow account is established and paid to the family upon completion of their contract of participation. This change will not affect families currently enrolled in the program and the Housing Authority must and will honor current escrow accounts.

Fourth, after the first 12 months in the Section 8 Program, families are permitted to relocate anywhere in the country. When a family exercises this portability option, the receiving housing authority has the option to pay the family's HAP, called "absorbing" the family, or bill the originating housing authority. When a housing authority is billed, the payment comes from the current HUD allocations, even if the family has moved to a higher cost area. The Housing Authority will now restrict portability to higher cost areas, unless the family can be absorbed.

Fifth, tenants are required to submit changes in income at all times. When a change of income results in a decrease, the Housing Authority must conduct an interim reexamination to recalculate and immediately decrease the family's portion of rent. However, when an increase of income is reported, the Housing Authority has the option to conduct an interim reexamination immediately, or at the next annual reexamination. The Housing Authority's current practice is to increase the tenant rent at the time of the annual reexamination. The new practice will be to conduct an interim reexamination at the time that a tenant's income has increased.

Sixth, the Housing Authority provides housing assistance to a large number of single-parent households. Some of these households may not receive any child support for their dependent children from the absent birth parent. The housing subsidy is calculated on a family's reported income, meaning the higher the family's income, the lower the subsidy. The Housing Authority's goal is to have families participating in the Section 8 Program maximize all income to which they are entitled, thereby reducing the financial burden on the Housing Authority. If families are unable to document that they have taken action to obtain child support for their dependent children, from the absent parent,

the Housing Authority require that the participant register with the Los Angeles County Child Support Services Department to help obtain child support.

If additional cost-saving measures are needed, the Housing Authority will modify the method by which utility allowance costs are determined. Currently, the Housing Authority uses the average rate charged by utility companies to determine its utility allowance cost. Most utility companies offer low-income families a discount rate. The Housing Authority's utility allowance schedule will be revised to incorporate the discount rates offered by utility companies. Prior to implementation, the Housing Authority will conduct a study to assess the current utility discounts and provide information to families on how to apply.

The Housing Authority has scheduled several owner and tenant workshops to discuss the above changes to the Administrative Plan. The workshops will be held at various times and locations to accommodate the needs of both owners and tenants. Additionally, information regarding the recommended changes will be provided in the owner and tenant newsletters.

**IMPACT ON CURRENT PROGRAMS:**

The proposed changes to the Administrative Plan will allow for the efficient administration of the Section 8 Program, in accordance with federal law and HUD requirements. Both tenants and landlords will share the financial impact of the proposed program changes, which are needed due to the reduction in funding from HUD.

Respectfully submitted,

CARLOS JACKSON  
Executive Director